

Maintaining Compliance for Global Benefit Plans

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Symposium

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ACI Worldwide—Case Study

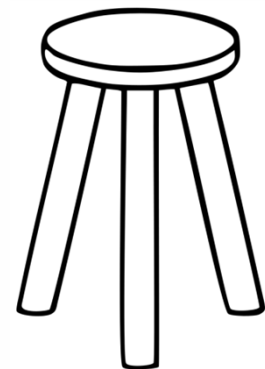
- ACI Worldwide powers electronic payments for financial institutions, retailers and processors around the world with its broad and integrated suite of electronic payment software.
- Primary employee groups are in software development, hosted software and support
- 4600 employees in 37 countries
- History of building company through acquisitions as well as organic growth

Task before us: Develop and Manage Global Benefits Programs

- Focus of presentation will be on compliance programs throughout the globe
- Compliance is composed of three core components
 - Compliance with corporate benefit philosophy and goals
 - Compliance with market competitiveness and trends
 - Compliance with legal and practical requirements in various countries and locations
- How do we find a way to sit comfortably?

Always watch where you are going. Otherwise, you may step on a piece of the Forest that was left out by mistake.

Winnie the Pooh



Corporate Benefit Philosophy and Goals

- Before beginning a Hunt, it is wise to ask someone what you are looking for before you begin looking for it. **Winnie the Pooh**
- In our case benefits were in place in various countries before anyone asked why do we offer these benefits?
- To provide a foundation for looking at benefits and for building a compliance program, it helps to have a framework to build on.

ACI Guiding Principals for Global Benefits

- Offer competitive benefit programs that assist in attracting and retaining quality talent
- Provide for safety and security of employees by providing benefits to reduce financial risks for the employee in the areas of
 - Health care
 - Disability
 - Retirement
 - Premature death
- Coordinate with government provided programs in each country to optimize our cost and not duplicate benefits
- Effectively manage the costs of benefits programs for the company
- Comply with local laws and practices

Building Philosophical Compliance

- Global Plans—covering substantially all employees in the company
 - Business Travel Medical—to provide for coverage similar to workers compensation when not in home country for any employee
 - Business Travel AD&D—to supplement home country Life and AD&D protection
 - Expat/TCN plans—tailored for specific populations where there may not be coverage in work location and home location plans don't work—Medical/Dental, Life/AD&D, Disability
- These plans can be centrally controlled and negotiated
 - The benefits/plans available will be dependent on the country in which the coverage is placed

Building Philosophical Compliance *(continued)*

- Local plans can approach philosophical compliance in a number of ways:
 - Total value provided by company plan and any social insurance available (typically measured as percentage of payroll)
 - Same basic plan design for all countries (typically works within limited geographies where social benefits are similar such as EU and South America)
 - Tailored to specific employees in the country (sales, technology, support, manufacturing, etc.)
 - Can be market based if philosophy is a market based philosophy (more on that later)
- Key issue is to define the standard against which plans in various countries will be measured

Compliance with Local Market Competitiveness and Trends

- To the uneducated, an A is just three sticks.—**Winnie the Pooh**
- What is being competitive for benefits within a given market?
 - In the U.S. we are so used to 300 page benefit surveys that measure every detail of a benefit plan that we are often surprised by the lack of precision with which benefits in other countries are measured.
 - In many markets, especially where there are few employees for in a given country, qualitative data may provide more insight than quantitative data.
 - Understanding the market is often comprised of data from new and exiting employees, brokers and survey data. All of this can give a sense of what the market is, and in many countries this is enough.

Market Competitiveness

- Several providers have “Country Manuals” that are available for greater or lesser price. These vary in style and level of detail. Where high levels of precision are not needed they may be

2.1 DEATH BENEFITS	
Prevalence	79% (first-tier cities) provide this benefit (Sources: Local Mercer experience; Mercer All Industries Benefit Survey, 2013).
Is this benefit part of another plan?	It is not part of another plan.
Eligibility	All employees are eligible.
Retirees covered?	No.
Conditions for receiving benefits	The individual must meet eligibility requirements and be enrolled.
Benefits description	The coverage in first-tier cities is typically: <ul style="list-style-type: none"> • Thirty-six times monthly salary, if expressed in multiples of monthly salary, • CNY200,000, if a fixed amount. The benefit is a lump sum.
Employee contributions	There is no contribution.
Benefits insured?	Benefit is fully insured.
Overall description of plan financing	Financing is through an insurance policy.
Taxation of contributions	All employer-paid insurance premiums are subject to individual income tax, and should be included with the employee's salary as earned income. Tax relief applies to the employer contribution if the total cost for supplementary insurance benefits is less than 5% of the employee's total compensation.
Taxation of benefits	Benefit is tax-free.

MARKET PRACTICE (SURVIVOR'S BENEFITS)

Social security benefits for survivors are meager. The majority of multinational companies provide a lump-sum death benefit under a group life insurance plan. Employers bear the entire cost of the premium. The benefit is usually based on monthly earnings and job classification. For example, most companies have two levels of coverage: **36 times the monthly salary for senior management and 24 times the monthly salary for all other employees**. If a local company provides group life coverage, it usually will provide a death benefit of the same amount, regardless of salary, for all employees in a job category. This will usually be a flat rate of between CNY 400,000 to CNY 1,000,000 for accidental death, CNY 100,000 to 150,000 for death due to illness, and CNY 200,000 to 500,000 for death due to motor vehicle accident.

Most group life plans include a Total and Permanent Disability (TPD) rider and an Accidental Death & Dismemberment (AD&D) rider. In the event of death due to an accident, the AD&D rider pays a benefit that is either 36 times the basic monthly salary or equal to the face amount of the death benefit under the group term life plan. This is not a long-term disability plan.

Some multinationals provide a separate business travel accident policy, paying benefits if the employee dies while traveling on company business.

If an enterprise annuity has been established, the account balance is paid to survivors upon the death of an employee. An insured retirement plan may also provide for payment of a death benefit.

Legal and Practical Compliance

- Three key areas of legal compliance issues are:
 - Taxes—are benefits taxed appropriately and at the appropriate time?
 - Terms of Plan—do plan provisions comply with local statutes?
 - Administration—are there compliance issues in the administration?

Taxation and benefits

- Payroll providers can assist in compliance with taxation of benefits by properly setting up the benefits. This may require close coordination with payroll.
- Alerts from various providers are available to provide updates on tax changes. The issue is wading through them and determining when one affects a particular benefit program.
- Many concepts we are used to in the U.S. such as constructive receipt and non-taxability of benefits doesn't exist

Terms of plans

- Since most plans outside of the U.S. are fully insured, or contain some form of insurance, the insurance carrier or broker can assist with and assure compliance
- A single global consultant/broker can provide insight as well as review individual programs. When selecting a global broker/consultant an RFP process is recommended
- The thorny issues come up in areas where there is not this support, such as paid time off and programs such as meal vouchers or special benefits.

Administration

- Paper recordkeeping is common in many countries. As a result, electronic transactions and records may not be possible. Auditing of the administration is critical
- Interconnectivity of systems across the globe can be another issue. We have 4 time off administration systems across the globe that do not integrate and two are not integrated with our global HRIS. Internal requirements for validation can be critical
- Data privacy issues easily arise out of inadequate administrative systems.

Real live examples

- Should we dive into that pool?
- To admit, or not to admit, that is the question.
- FACTA?
- You really want a retirement scheme in Ireland?



As Mark Twain said, "It's a terrible death to be talked to death!"